sequent modification of this law, which took effect January i, 1902, raised the gold requirement to 40,000,000 crowns, but permitted the balance to be covered by foreign government bonds, foreign and inland bills, and Swedish bonds quoted on foreign stock exchanges.[1]

Provisions were made in the law of 1897 for compensation to the private banks for the privilege of note issue withdrawn from them. It was the motive of the law to perpetuate them as joint stock banks and to induce them to continue to grant the same accommodation to commerce as before. To these ends banks retiring their circulation before the end of 1905 were given a credit with the State Bank against approved collateral at a rate two per cent, "below the published discount rate (but not below a rate of two per cent), and rediscounts at a rate not exceeding two-thirds of the published rate. The amount of each of these privileges was fixed at one-half the circulation of the bank on January i, 1896, and was conditioned on the requirement that the local bank should not discontinue any branch existing on that date. For those banks which kept their circulation until the beginning of 1904, the privilege of rediscount was limited to forty per cent, of their issues.[2] The number of banking offices of the banks of issue existing in 1903 was about 183, of which 24 had come into existence since 1896, and several belonged to banks which withdrew promptly from the note-issuing field and continued as joint stock banks.

The concentration of the power of note issue has tended to a concentration of metallic reserves, but has left the State Bank, as before, dependent on its note issues for its resources, while the private and joint stock banks depend upon their deposits. This wide divergence in character of operations by these different types of banks is revealed by the statistics of the condition of the different classes of banks on January i, 1907, after the new system had been in full operation for three years.[8]

[1] **Flux, in *Yale Review,* February, 1903, XI., 364.**

[5] *Ibid.,* 369.

[3] ***feconomiste Europeen,* June 5, 1908, XXXIII., 732.**